

January 18, 2019

Elizabeth Fralish
State of Alabama, Department of Finance, Division of Risk Management
777 South Lawrence Street
Montgomery, Alabama 36104

Subject: Examiners of Public Accounts report dated December 28, 2018 for the Period October 1, 2015 through September 30, 2017 for the Alabama 9-1-1 Board

Dear Ms. Fralish,

We are in receipt of your email and attached letter dated January 9, 2019 requesting a prompt review and response to the findings, both new as well as unresolved, contained within our last Examiners of Public Accounts report dated December 28, 2018 for the Period October 1, 2015 through September 30, 2017.

As our former Chairman, Mr. Alan Campbell, stated in his initial response in December 2017, we began taking corrective actions to resolve all of the deficiencies that were revealed to us in the initial audit of the Alabama 9-1-1 Board. The Board contracted the services of an outside CPA firm to handle all of its accounting functions for the time period of the initial audit. This is the same firm that conducted the Commercial Mobile Radio Services Board's (our predecessor board) financial activities in the years leading up to the passage of our enacting legislation and the establishment of an office space and staff. There have been several noteworthy changes since I was named the Executive Director in July of 2016; not the least of which is that the Board ended its relationship with the firm, hired a Financial Analyst, and brought all accounting functions in-house.

Furthermore, we have secured the auditing services of a reputable as well as local firm to examine the policies and procedures we have put in place since terminating our relationship with the aforementioned CPA firm, hiring of an experienced CPA as a member of our staff, and transitioning all of our accounting functions in-house. That audit has been completed twice now. We will gladly supply you with a copy of said reports if you so desire. I'd like to add that the Board has also undergone a sunset review in which "there [were] no unresolved prior findings or significant issues." We are due another review later this year.

I understand the concern of Risk Management and would like to specifically reiterate the same sentiment I submitted with our previous response, as it pertains to unresolved findings. In your previous request, I was asked to convey a realistic time frame as to when I expect these deficiencies to be resolved. I noted that the initial audit period was for the first two years of operation of the Statewide 911 Board, but the report was not issued until after the subsequent audit period of October 1, 2015 through September 30, 2017 (i.e. the basis of your current inquiry) had already ended. I relayed my concern that due to the delay in the Examiners issuing the final report some of these findings may recur in our next audit report and they have. This may give the appearance that they went unresolved for an unacceptable length of time, which is simply not the case. We will address all findings, new and unresolved in our response.

In the following pages, I have responded in line with dark blue text with each of the findings and provided as much detail as I thought useful to your organization in response to your letter of inquiry; however, I do invite you to inquire further if any more information is needed.

Sincerely,



Leah Missildine
Executive Director

P.O. BOX 1790
MONTGOMERY, AL 36102-1790

OFFICE 334-440-7911
WEB AL911BOARD.COM

For the Period October 1, 2015 through September 30, 2017

Ref. No. Finding/Noncompliance

2017-01

Finding:

The Board did not verify four employees' employment eligibility through E-Verify by the third business day after the employees started work.

The **Code of Alabama 1975**, Section 31-13-15(b) states, "Effective April 1, 2012, every business entity or employer in this state shall enroll in E-Verify and thereafter, according to federal statutes and regulations governing E-Verify, shall verify the employment eligibility of the employee through E-Verify. A business entity or employer that uses E-Verify to verify the work authorization of an employee shall not be deemed to have violated this section with respect to the employment of that employee."

Furthermore, the **E-Verify User Manual, Section 2.2** states, "E-Verify cases must be created no later than the third business day after the employee starts work for pay."

Recommendation:

The Board should verify the employment eligibility of all employees through E-Verify within three business days after the employee starts work for pay.

General Response--Employees one and two of the four employees hired during this audit period began work on February 1 and February 16, 2016, respectively. Their I-9 forms were completed, and identification faxed to Alabama E-Verify Employer Agent Service on February 15, 2016. Employee three began work on December 19, 2016; his I-9 forms were completed, and identification was faxed to Alabama E-Verify Employer Agent Service on December 20, 2016. Employee four began work on August 1, 2017; her I-9 forms were completed, and identification was faxed to Alabama E-Verify Employer Agent Service on July 28, 2017. After working with a personnel assistant at ALEA that was hired in August of 2017, we gained access to the online user portal for E-Verify and maintain an updated account, rather than faxing the information to them. All employees' employment eligibility is verified through E-Verify within three business days after the employee starts work for pay.

2017-02

Finding:

The Board expended \$2,348.53 for purchases other than administrative expenses and grants. According to credit card statements reviewed for the examination period, the Board purchased the following items with Board funds:

- ☐ Candy/Cookies/Crackers/Chips - \$155.86
- ☐ Coffee - \$436.04
- ☐ Creamer - \$148.41
- ☐ Sugar/Sweetener - \$122.33
- ☐ Tea Pods - \$18.48
- ☐ Water - \$58.01
- ☐ Personal Items (tissue/hand sanitizer/soap) - \$111.27
- ☐ Spoons/Forks/Plates/Cups - \$116.00
- ☐ Coleman Wheeled 42 Can Cooler - \$49.99
- ☐ DAX Genova Frame - \$22.69
- ☐ Orbit 3 Piece Weekender Duffel Bag Set - \$39.99
- ☐ Movie Rack - \$10.43
- ☐ AMC Festival 16 Movie Theater - \$8.78
- ☐ Fast Food Purchases - \$92.68
- ☐ Meals for presentations, training sessions and meetings with contractors - \$957.57.

The Board's statute, **Code of Alabama 1975**, Section 11-98-5.2(b) states, "Effective October 1, 2013, there shall first be deducted, no more than one time during each calendar month, from the total amount of the statewide 911 charges paid over to the 911 Board during such month, a sum not to exceed one percent of the total amount, to be applied by the 911 Board **exclusively for payment of administrative expenses** theretofore incurred by it and, at the board's discretion, the awarding of

additional operational grants to districts outside of the other distribution criteria in this subsection upon a showing of hardship.” (Emphasis added)

Recommendation:

The Board should use funds for the payment of administrative expenses and awarding grants and not for personal use items.

General Response—Upon the release of this audit report, Board members and staff became aware that some of the listed items were interpreted to be “personal use” items, rather than allowable office expenses or supplies. Additionally, the purchase of meals, refreshments, and their accoutrements provided during the course of a meeting or training session that lasted all day, participants worked through the meal, or where meetings include out-of-state consultants and due to shortness of time the meetings continue through mealtime (Attorney General Opinion 2010-75) is interpreted not to be an administrative expense. The Board no longer uses funds for personal use items, to our knowledge. Nor do we purchase any beverages or meals during the course of our trainings, meetings, examinations, etc. with administrative funds.

2017-03

Finding:

The Board reimbursed an attorney for legal services at a rate in excess of the rate specified in the contract. The Board reimbursed the attorney at an hourly rate of \$336.02 instead of the \$195.00 per hour rate approved by the Governor, resulting in an overpayment of \$1,523.02.

Executive Order Number 51 states, “BE IT ORDERED that no legal contracts for any state agency shall exceed the rate of one hundred and ninety five dollars (\$195) per hour, unless it falls within an exception stated herein and is approved by the Governor.”

Recommendation:

The Board should ensure that contract attorneys are reimbursed at the rate per hour set by Executive Order 51 and specified in the contract or obtain the Governor’s approval for amounts exceeding \$195 per hour. The Board should recover the overpayment from the attorney.

General Response—With the exception of this singular legal contract, which was capped at \$100,000, but totaled less than \$14K, no contract attorney has been reimbursed above the rate per hour set by Executive Order 51 and specified in a contract.

2017-04

Finding:

The Board has not adopted a rule in accordance with the Alabama Administrative Procedure Act to establish policies and procedures to fund advisory services and training for districts.

The *Code of Alabama 1975*, Section 11-98-4.1(e)(4) states, regarding powers and duties of the Board, “To establish policies and procedures, adopted in accordance with the Alabama Administrative Procedure Act, to fund advisory services and training for districts and to provide funds in accordance with these policies and procedures to the extent funds are available.”

Recommendation:

The Board should adopt a rule to establish policies and procedures to fund advisory services and training for districts.

General Response—The Executive Director informed the Board of this need and assigned this action item to the appropriate committee during its first regularly scheduled meeting following the release of this audit finding.

2017-05

Finding:

The Board did not notify the Secretary of State of vacancies occurring as a result of the expiration of the terms of five board members at least 45 days before the terms expired. Five board members’ terms expired July 18, 2016 and the notices were submitted June 28, 2016.

The *Code of Alabama 1975*, Section 36-14-17(d)(1) provides that, “The chair of an existing board shall notify the Secretary of State by electronic means of a vacancy scheduled to occur on the board as a result of the expiration of a term at least 45 days before the vacancy occurs.”

Recommendation:

The Board should report vacancies at least 45 days before the expiration of the member’s term.

General Response—Since the current Executive Director was permanently appointed to the position in July 2016, Board vacancies have been reported in accordance with the Code of Alabama 1975, Section 36-14-17(d)(1).

UNRESOLVED PRIOR FINDINGS

2015-01

Finding:

Wireless, wired and VOIP carriers did not submit 911 charges collected from its subscribers according to the Board’s statutes and administrative rules. Wireless, Wired, and VOIP carriers are required by statute to submit to the Alabama Statewide 911 Board the 911 service charge collected from its subscribers along with the monthly remittance reporting form. In reviewing the payments and remittance forms from the carriers from October 1, 2013 through September 30, 2015 of the examination period the following errors were noted:

- ☐ Twenty-nine carriers did not submit monthly remittance forms for 188 months.
- ☐ Twenty-nine carriers did not submit remittance forms and payments for the service charges collected for 79 months.
- ☐ Eleven carriers did not remit forms and collected charges in a timely manner 59 times. Payments were submitted 1 to 398 days after the due date.

The *Code of Alabama 1975*, Section 11-98-5, states “(b) A voice communications service provider shall remit the statewide 911 charge collected by it under this section to the 911 Board, utilizing such electronic or paper reporting forms that may be adopted by the 911 Board by rule. The provider ***shall remit the collected charges by the end of the calendar month following the month the provider received the charges from its subscribers.***”

Administrative Rule 585-X-4-.02(1) states, “Fees shall be submitted to the Alabama Statewide 9-1-1 Board by the end of the calendar month following the month the provider received the service charge from its subscribers, ***together with a monthly report*** of the number of service identifiers in each emergency communication district (ECD).”

Recommendation:

The Board should implement procedures to ensure that carriers are remitting the forms and payments as required by statute.

General Response--These remittance processes and records were the responsibility of our former out-of-town accounting firm. Due to lack of Board staff, the Board contracted the firm to “maintain bank accounts of all revenues derived from the Alabama statewide 9-1-1 service charge...[including] receiving and depositing monthly remittances” and to “verify mathematical accuracy or remittance reports from providers and follow up on differences” among other services. During the same month the current Director was appointed by the Board (July 2016), the Board’s records for the initial audit period were retrieved and brought onsite. All other records of the current board and the former CMRS board held by that firm were retrieved by currier service on March 29, 2017 upon the termination of our relationship with said firm. During late 2016, the Director also presented members of the Board with a staffing proposal that included the recommendations of hiring an in-house accountant and exploring the possibility of transitioning the financial operations in-house as well, which was accepted and acted upon in the following months.

Since then, staff has purchased accounting software and developed its own system of receiving, reviewing, and recording remittances from carriers on a monthly, if not more often, basis. If there is a discrepancy detected in any of the remittances, a form letter is issued highlighting the error(s) and

provides guidance on how it is to be corrected. Templates of these letters are on file at our office for review, if needed.

Specifically, in the initial finding (2015-01) the Examiner noted that there were 326 incidents of a carrier not remitting properly. In the subsequent unresolved finding, the examiner noted 107 incidents, which shows a significant improvement made possible by bringing accounting in-house and establishing adequate policies as well as outreach for remittance review. Of the 4,800 or so remittances that occurred in the second audit period, less than 3% of those examined were in “error.” Furthermore, a portion of the current status states, “Seven carriers did not remit forms and collected charges in a timely manner twenty-six times. Payments were submitted up to sixty days after the due date.” Board staff reviewed these 26 errors and respectfully disagree with this statement. A review showed no payments are missing and an explanation alongside the cash receipts journal were provided as supporting documentation. Because some of the content in those documents is proprietary, the full information cannot be released as part of this response. Generally speaking though, some of these payments were paid at the end of one month and possibly ended up with two payments in one month and none in a prior month, but none are missing. This may happen due to a holiday or weekend or just through the course of a 5-day workweek. The carrier is notified. Also, during some of these 26 instances, the company wasn’t in business at the beginning of the audit period or stop providing service in Alabama.

2015-08

Finding:

Two Board employees traveled in-state twenty-two times. Travel claims were not submitted for ten of the trips. Travel expenses were paid using the Board’s credit card. We noted the following errors:

Employee #1:

- ☐ Charged actual expenses for meals and lodging in lieu of \$75.00 overnight per diem seven times resulting in overpayments totaling \$866.70
- ☐ Purchased meals while remaining in the employee’s base city on two occasions totaling \$85.35

As a result of charging actual expenses, the employee received an additional \$952.05 for travel expenses above amounts allowed by state law. See ***Schedule of Charges*** (Exhibit 3 of this report).

Employee #2:

- ☐ Charged actual expenses for meals and lodging in lieu of \$75.00 overnight per diem seven times resulting in overpayments totaling \$812.73
- ☐ Overpaid \$135.68 for mileage expenses
- ☐ Underpaid \$10.48 for mileage expenses

As a result of charging actual expenses, the employee received an additional \$937.93 for travel expenses above amounts allowed by state law. When notified of the discrepancies, the employee reimbursed the Board for the overpayments.

The ***Code of Alabama 1975***, Section 36-7-20 (a) states, “Except as otherwise provided in Section 36-7-21, the amount allowable to a person traveling inside the State of Alabama in the service of the state or any of its departments, institutions, boards, bureaus, commissions, councils, committees, or other like agencies for expenses other than transportation may be fixed by the Governor at not less than seventy-five dollars (\$75) per day, and this amount shall be uniform in operation as to all persons traveling within the state on official business.”

The ***Code of Alabama 1975***, Section 36-7-21(a) states, “Persons traveling in the service of the state or any of its departments, institutions, boards, bureaus, commissions, councils, committees, or other agencies, outside the State of Alabama or within the State of Alabama for purposes of attending or assisting in hosting a convention, conference, seminar, or other meeting ***of a national organization of which the state is a dues-paying member*** that is held within the state shall be allowed all of their

actual and necessary expenses in addition to the actual expenses for transportation. In-state travel authorized under this section is subject to the same documentation requirements as out-of-state travel. Except as provided in subsections (b), (c), (d), and (e), the travel shall first be fully authorized in writing by the Governor.”

Attorney General Opinion 80-144 states, “It has always been the position of the Department that a state employee should be reimbursed for his travel from his base to his place of assignment and return to his base or from his home to his place of assignment and return to his home, *whichever is less*. It seems that to rule otherwise would allow a state employee a profit in traveling for the benefit of the state rather than allowing him reimbursement for expenses.”

Recommendation:

The Board should comply with all state laws and regulations pertaining to reimbursement of travel expenses. Claims for reimbursement of travel expenses should be reviewed for accuracy, completeness, and compliance with state law and regulations before the claims are submitted for payment.

General Response--During these audit periods, the two employees were following Board adopted policies and procedures for travel which allowed for “the actual costs of travel, meals, lodging, and other expenses directly related to accomplishing business travel objectives.” At no time did an employee receive any additional monies beyond actual expenses. Through the audit process the Board became aware that its policy on travel was “contrary to current State law” and employees of the Board are considered “employees of State Agencies” and hereby “required to comply with Alabama State Law when seeking reimbursement of travel expenses unless there is specific language in our enabling legislation that authorizes the payment of actual expenses.” All employees follow Alabama State Law when seeking reimbursement for in-state travel, with the exception of seeking reimbursement through the State Comptroller’s Office after travel is complete. The Board is a checkbook agency and does not receive funds via the Comptroller.

2015-09

Finding:

Two Board employees traveled out-of-state fifteen times during the examination period. The employees submitted travel claims for three of the fifteen trips. Travel claims were not submitted for eleven of the trips and one travel claim was submitted to claim mileage expenses only. For eleven of the fifteen trips we could not determine if the Board obtained the Governor’s approval for traveling out-of-state.

Travel expenses were paid using the Board’s credit card. We reviewed the Board’s credit card statements to determine if travel expenses complied with the out-of-state travel requirements according to the state’s Travel Law and travel guidelines established by the Department of Finance. We noted the following discrepancies:

1. We reviewed eighty meal receipts along with the monthly credit card statements.
 - ☐ Fifty-two of the receipts were not itemized to indicate what was purchased totaling \$2,397.13.
 - ☐ One of the meals on the statements did not have a receipt.
 - ☐ The daily per diem for meals was exceeded sixteen times resulting in overpayments totaling \$347.20.
2. According to meal receipts reviewed for one traveler, the traveler purchased four meals on one day in a span of four hours and twenty minutes. The total cost of the meals purchased was \$131.43. The daily per diem allowed for meals for the day was \$46.00.
3. Tips paid for taxi service exceeded the 15% maximum allowed by the out-of-state travel guidelines nineteen times for a total of \$63.81. Two of the charges for taxi services did not have receipts.

4. One receipt indicated that the traveler purchased alcohol in the amount of \$6.60.
5. Two charges for hotel expenses had no documentation from the hotel.
6. Expenses totaling \$498.28 were for the following unallowable expenses:
 - ☐ Travelers upgraded their airline seats to Comfort Seats three times resulting in additional charges totaling \$196.00.
 - ☐ Flight Protection - \$71.00
 - ☐ Late check out of hotel - \$75.00
 - ☐ Golf Outing (not during days of the conference) - \$150.00
 - ☐ Drug store purchase without receipts - \$4.28

As a result of the above errors, one employee received an additional \$775.96 for travel expenses. See ***Schedule of Charges*** (Exhibit 3 of this report). The other employee received an additional \$194.82 above amounts allowed by state law. When notified of the discrepancies, the traveler reimbursed the Board \$194.82 for the overpayments.

The ***Code of Alabama 1975***, Section 36-12-2 states, “All public officers and servants shall correctly make and accurately keep in and for their respective offices or places of business all such books or sets of books, documents, files, papers, letters and copies of letters as at all times shall afford ***full and detailed information in reference to the activities*** or business required to be done or carried on by such officer or servant and from which the actual status and condition of such activities and business can be ascertained without extraneous information, and all of the books, documents, files, papers, letters, and copies of letters so made and kept shall be carefully protected and safely preserved and guarded from mutilation, loss or destruction.”

The out-of-state travel form which is required by anyone traveling out of Alabama in the service of the state requires, “***Itemized*** statement ***of necessary*** traveling expense incurred.”

The Department of Finance out-of-state travel website at [www.https://oos.alabama.gov](https://oos.alabama.gov) states “BEFORE submitting travel online please have the following information confirmed: 1. Review and follow state laws and ***travel guidelines*** and 3. Acquire your business agenda, schedule and/or itinerary.”

Travel guidelines:

- ☐ Require an agenda
- ☐ For airline flights extras are not covered, preferred seating, early boarding, etc.
- ☐ Do not allow “sightseeing excursions, ***golf outings***, etc. to the beginning/ending of trip”
- ☐ When driving, “if business participation ends after 2 pm, may return the same day, or may return the following day but departure has to be no later than 8 am”
- ☐ Taxi tips 10 - 15% max
- ☐ Meals:
 - ☐ Place city cap amount to each meal claim.
 - ☐ Meals require an itemized and proof of payment receipt
 - ☐ Meals are reimbursed for actual cost amount up to the stated cap
 - ☐ Tips are included in the cap amounts
 - ☐ Any missing receipt requires explanation and missing meal form
- ☐ Explanation of other expenses
- ☐ Signatures required:
 - ☐ Traveler name, signature and date
 - ☐ Agency Director signature and date
 - ☐ Governor signature and date

Current Status:

Employee #1

- ☐ Six meals totaling \$209.43 did not have itemized receipts.
- ☐ Charged an unallowable expense for airline seat upgrade for \$29.00.
- ☐ Exceeded the daily per diem meal allowance one time by \$33.84.

☐ Exceeded recommended tip allowance of 20% four times for a total of \$7.46.
As a result, the employee incurred an additional \$70.29 for travel expenses.

Current Status:

Employee #2

☐ Nine meals totaling \$303.22 did not have itemized receipts.
☐ Charged unallowable expenses for airline seat upgrades of \$136.00 and travel insurance for \$31.74.
☐ Exceeded the daily meal allowance two times totaling \$72.56.
☐ Exceeded recommended tip allowance of 20% four times for a total of \$3.42.
As a result, the employee incurred an additional \$243.72 for travel expenses. The employee reimbursed the Board for the additional expenses.

Recommendation:

The Board should review all travel claims for accuracy, completeness, and compliance with the state travel laws.

General Response -- During these audit periods, the two employees were following Board adopted policies and procedures for travel which allowed for “the actual costs of travel, meals, lodging, and other expenses directly related to accomplishing business travel objectives.” At no time did an employee receive any additional monies beyond actual expenses.

Additionally, employees of the Board that travel out-of-state are in compliance with the state travel laws and seek all the proper approvals through the out-of-state travel website. A current employee, who serves as the Travel Designee for our entity, and the Director have since attended the Department of Finance’s travel seminar as well. We currently follow all state travel laws and regulations, with the exception of seeking reimbursement through the State Comptroller’s Office after travel is complete. The Board is a checkbook agency and does not receive funds via the Comptroller.

2015-11

Finding:

The Board’s employees use a credit card to pay travel expenses and to buy office supplies and equipment. The Board has little to no oversight of how the employees utilize the card. During the

audit period there were 31 credit card statements with 581 charges totaling \$82,459.09. Of these, 86 charges totaling \$6,664.85 had no itemized receipt or invoice attached.

A credit card statement only shows that *something was paid for*; it does not show *what was purchased*. Without the detail of an itemized receipt or invoice, there is no way to determine if the expenditure was for an allowable purpose.

The *Code of Alabama 1975*, Section 36-12-2 states, “All public officers and servants shall correctly make and ***accurately keep*** in and for their respective offices or places of business all such books or sets of books, documents, files, papers, letters and copies of letters as at all times shall afford ***full and detailed information in reference to the activities*** or business required to be done or carried on by such officer or servant and from which the actual status and condition of such activities and business can be ascertained without extraneous information, and all of the books, documents, files, papers, letters, and copies of letters so made and kept shall be carefully protected and safely preserved and guarded from mutilation, loss or destruction.”

The *Code of Alabama 1975*, Section 41-4-54 states, “All accounts against the state must be accurately and fully itemized.”

Current Status:

During the examination period, there were 27 credit card statements containing 617 charges totaling \$68,437.32. Of these, 95 charges totaling \$6,137.03 had no itemized receipt or invoice attached.

Recommendation:

It is again recommended that all receipts and invoices for payments should be accurately and fully itemized and retained by the Board.

Previously, receipts were mailed to the former accounting firm for reconciliation to the credit card statements that they received via postal mail from the Board's credit card issuer and banking institution. Since 2017 when accounting was brought in-house, itemized receipts and invoices accompany all paid bills in files maintained by the Financial Analyst, including the credit card statement, and are made available for review by members of the Board at any time. All bills and invoices are reviewed by the Director for approval prior to payment being issued by the Financial Analyst. The Board's Treasurer then reviews the expense prior to payment being made. The Board's Finance Committee regularly reviews the finances of the Board.

Additionally, at our last exit conference, the Board voiced concern about the state of the records during our transition of accounting services to an in-house operation and it was the Board's understanding that the Board's responsibility of backtracking and "correcting" these mistakes was from the point that it was made aware of the findings. The Board had begun the process of backtracking and finding the old credit card receipts which were submitted to and should have been maintained by the former accountants for FYE2018, but did not proceed into previous years based on this understanding. This understanding was reiterated during the training session attended by a majority of the Board performed by the Examiners in 2018. These receipts, while not organized were available in a file in the Directors' office. Once the list was provided to staff, a majority of the receipts were produced, yet were not considered in reducing the number of incidents stated in this report.

2015-12

Finding:

Monthly invoices submitted by the Board's contract accounting firm did not include receipts to document the following reimbursement requests:

- ☐ Supplies and copies 24 times totaling \$4,239.79
- ☐ Telephone/fax 24 times totaling \$297.20
- ☐ Postage 22 times totaling \$1,839.74

The *Code of Alabama 1975*, Section 41-4-54 states, "All accounts against the state must be accurately and fully itemized."

Current Status:

Monthly invoices submitted by the Board's contract accounting firm did not include receipts or travel documents for the following reimbursement requests:

- ☐ Supplies and copies - 18 times totaling \$1,808.76
- ☐ Fax and phone - 18 times totaling \$71.00
- ☐ Postage - 19 times totaling \$1,565.35
- ☐ Travel expenses totaling \$1,671.00

Recommendation:

It is again recommended that the Board should ensure all invoices from contractors are fully itemized to document all charges.

Currently, itemized receipts and invoices accompany all paid bills in files maintained by the Financial Analyst. Furthermore, the Board no longer contracts this accounting firm. However, the unresolved 2015-12 finding for monthly invoices submitted by the Board's contract accounting firm did not include receipts to document reimbursement expenses. Their contract, reviewed by the Contract Review Committee, gave them the ability to bill for these items and be reimbursed based on Board approval. It does not require or mention support. The Examiners used the Code that all accounts against the state must be accurately and fully itemized. These expenses were itemized and accurate based on their contract. The Board did not have any basis to demand the contractor do anything other

than provide the service and bill according to their contract. They itemized and billed a reasonable amount for phone calls, office supplies, postage, etc. based on their contract.

2015-13

Finding:

During the period examined, the Board paid \$1,107.46 in sales taxes for items purchased, although state agencies are made exempt by state law from payment of the sales taxes.

The *Code of Alabama 1975*, Section 40-23-4(a)(11) states, “There are exempted from the provisions of this division and from the computation of the amount of the tax levied, assessed, or payable under this division the following:

(11) The gross proceeds of sales of tangible personal property to the State of Alabama, to the counties within the state and to incorporated municipalities of the State of Alabama.”

Attorney General Opinion 81-342 to the Alabama Board of Corrections states, “As an arm or agency of the State of Alabama, the Board of Corrections would be exempt on any tangible property purchased by the board, provided the purchases are made in the name of the board, the board's credit is obligated, and the purchased property is paid for with funds belonging to the board.”

Current Status:

During this examination period, the Board paid \$2,525.25 in sales taxes for items purchased.

Recommendation:

It is again recommended that the Board should review all invoices to ensure sales taxes are not being paid. The Board should contact the vendors to establish an exempt status.

The Board's former Director sought an exempt status, but it was denied. Upon showing the application to the auditing employee, the Board was informed that the application had been submitted to the wrong agency and was likely denied because the Board does not sell anything, hold inventory, or collect/remit sales taxes. The Examiners provided a letter for the exempt status for the “State of Alabama and the agencies and instrumentalities thereof” from the Comptroller's Office for the Board's use. The Board has used it accordingly and has since established exempt status with its usual vendors.

Additionally, a significant portion of the dollar amount listed was for purchases through an office supply chain. The Board's Office Assistant worked with them to have as much of the sales tax refunded to us as their internal policy would allow. While those funds were refunded to the Board, the Examiners did not reduce the total noted in the “current status” by that dollar amount.

2015-14

Finding:

Expenditures are not coded correctly in the Board's accounting records. We noted the following errors.

- ☐ Travel reimbursements were paid as a part of and coded as legal fees 5 times.
- ☐ Legal fees were paid as a part of and coded as travel expenses 1 time.
- ☐ Court Reporting services were miscoded as office supplies 1 time.
- ☐ The following charges on the Board's credit card were found to be incorrectly coded as office supplies:
 - ☐ Restaurant charges - 42 times
 - ☐ Transportation charges (flights, taxi, baggage, etc.) - 17 times
 - ☐ Hotel rooms - 7 times
 - ☐ Gas - 18 times
 - ☐ Parking - 7 times
 - ☐ Association dues or registrations – 8 times
 - ☐ Grocery store purchases – 1 time
 - ☐ Car maintenance – 2 times

GASB (Government Accounting Standards Board) Statement Number 34, Paragraph 41 states, “Governments should report all expenses **by function** except for those that meet the definitions of special or extraordinary items. . . As a minimum, governments should report direct expenses for each function. *Direct* expenses are those that are specifically associated with a service, program, or department and, thus, are clearly identifiable to a particular function.”

For the Board to achieve the objective of accountability, financial information must be both relevant and reliable for reasonably informed users.

Current Status:

The Board continued to code expenditures incorrectly in the accounting records. The following errors were noted:

- ☐ Travel reimbursements were coded as legal fees 18 times.
- ☐ The following charges on the Board’s credit card were incorrectly coded as office supplies:
 - ☐ Meal expenses - 11 times
 - ☐ Travel expenses - 116 times
 - ☐ Food purchases - 2 times
 - ☐ Gas Expenses - 34 times
 - ☐ Dues/Subscriptions - 49 times
 - ☐ Rentals - 9 times
 - ☐ Postage - 30 times
 - ☐ Car Repairs - 7 times

Recommendation:

It is again recommended that the Board should ensure that expenditures are accurately recorded in the accounting records.

As previously mentioned, we have hired an experienced CPA as a member of our staff and purchased accounting software for our daily use. The Board’s staff now has visibility into its accounts and accurately records its expenditures. Furthermore, the Board no longer contracts the accounting firm that was responsible for recording expenditures. Specifically, the Board believes that the 2015-14 unresolved finding for expenditures not coded correctly in the Board’s accounting records has been resolved. The major part of this finding was the former accounting firm coding most if not all credit card fees to office supplies. The Board spent a great deal of time researching and reclassifying those charges. The in-house accountant did not reclassify some things such as fuel for a vehicle which is part of in-state travel and travel charges by the Board’s attorney as part of his fees. It may have been the in-house accountant’s preference to separate these, but for consistency purposes they were left where they had been. These are not errors. They can legitimately be classified as they are.

Also, our in-house accountant requested that the Examiners review their reference to GASB 34. That paragraph has to do with grouping items by function, such as Child Care, Fundraising, Administration or as paragraph 42 states, General Government, Support Services, Administration, not coding for the type of expense. These items would be part of the Administration function whether they are fuel, fees or travel. GAAP puts a heavy emphasis on consistency and because these have been reported like this for some time, the Board continued in this same fashion for consistency. Our financial system is compliant with GASB and Generally Accepted Accounting Principles as evidenced by an audit performed by an outside firm.